

Distribution of DROP Account

No distribution from a member's DROP account will be made **until the member terminates employment and has submitted the appropriate DROP termination form to the RSA**. Upon termination, a member should notify the TRS how the member wants to receive the DROP distribution. **DROP accounts cease to accrue interest after 90 days from termination of employment**. A member generally receives DROP distributions within 30 days of receipt of the final contribution to the DROP account.

DROP participants have one of two ways to distribute the funds in their DROP account:

1. Receive a lump-sum payment of the total DROP account balance less the required 20% federal income tax withholding. No portion of the distribution is subject to state of Alabama income tax.
2. Rollover all or a portion of the account balance to a traditional IRA, another eligible employer retirement plan, a 403(b) Tax Sheltered Annuity, or a governmental 457(b) plan that accepts rollovers. **The RSA-1 Deferred Compensation Plan (457 plan) accepts rollovers from DROP accounts.**

Note: Members may choose to rollover a portion of the DROP account and receive a lump-sum payment of the balance in the account.

A SPECIAL TAX NOTICE REGARDING RSA PAYMENTS is included with all distribution forms. Please read prior to deciding how you want your DROP account distributed. **All of the forms listed in this section are available on our website www.rsa-al.gov or by contacting the TRS at 877.517.0020.**

Applying for DROP Distribution - Early Termination

1. Complete the REQUEST FOR EARLY TERMINATION OF DROP form (TRS 10 D-E). Indicate the reason for the early termination and complete the federal income tax withholding certificate for your monthly benefit. This form must be completed and returned to the TRS at least 30 days prior to termination of employment, if possible.
2. If the termination is involuntary, supporting documentation must be included with the forms. If terminated by the employer, submit a copy of the termination letter. If the termination is due to a disability, the DROP participant must complete and submit the REPORT OF DISABILITY PACKET. The STATEMENT OF EXAMINING PHYSICIAN form (also used to apply for a disability retirement) in the REPORT OF DISABILITY PACKET must be signed by the member and completed by his or her attending physician.
3. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form. If you elect to have a lump-sum payment of your DROP account, the TRS will withhold 20% for federal income taxes. The form must be signed and notarized, but no employer certification is required. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before sending it to the Trustee of the eligible retirement plan you have elected to make your rollover to. The Trustee should mail the completed form to the TRS.

Applying for DROP Distribution - Participation Period Completed

1. Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED form (TRS 10 D-C). Complete the federal income tax withholding certificate for your monthly benefit. This form must be completed and returned to the TRS at least 30 days prior to termination of employment, if possible.

2. Complete the REQUEST FOR DROP DISTRIBUTION AND ROLLOVER ELECTION form (RSA 10 D-D) required to authorize distribution of the DROP account balance. The election to receive either a lump-sum payment or to make a rollover will be made on this form. If you elect to have a lump-sum payment of your DROP account, the TRS will withhold 20% for federal income taxes.

Applying for DROP Distribution - Death During DROP Participation

1. The beneficiary must complete the APPLICATION FOR BENEFICIARY PAYMENT - DROP form (RSA-DROP BEN). The beneficiary will complete Part I, Part II, and Part III, sign and have the form notarized. The employer of the deceased member will complete Part IV and send the form to the TRS. A copy of the death certificate must accompany this form.
2. How the DROP account balance is distributed depends on whether the beneficiary is a surviving spouse or not. A non-spousal beneficiary may receive the distribution in a lump-sum payment, or make a direct rollover to an IRA created for that purpose. If the beneficiary is a surviving spouse, the surviving spouse may elect to either have the full account balance paid directly to them less the 20% mandatory withholding on taxable portion of payment, or have all or a portion of the account balance rolled over into an eligible retirement plan.
3. If you elect to rollover all or a portion of your DROP account, sign and have the form notarized before sending it to the Trustee of the eligible retirement plan you have elected to make your rollover to. The Trustee should mail the completed form to the TRS.

Note: The beneficiary may also be entitled to receive group term life insurance proceeds and/or additional retirement benefits based on the option chosen by the member upon entering DROP.

DROP Participation Period Completed - Will Continue Employment

1. Complete the REQUEST FOR DROP TERMINATION PARTICIPATION PERIOD COMPLETED/CONTINUED SERVICE form (RSA 10 D-CCE). Check the box indicating you will be continuing employment after you have completed the DROP participation period. Sign the form and have it notarized. Have your employer certify your employment and have them return the form to the TRS.
2. During your period of continued employment, you will contribute to your TRS account and earn additional retirement credit. Upon termination of employment, an additional benefit will be calculated based on this additional service.
3. Your DROP funds will remain on deposit and will continue to earn interest until your employment terminates. At that time, you will begin receiving monthly benefits and become eligible for distribution of your DROP account balance. You would follow the procedure as shown previously in “Applying for DROP Distribution – Participation Period Completed”; except you would use the TERMINATION OF EMPLOYMENT OF CONTINUED SERVICE – POST DROP (TRS 10-D-CT) form, rather than form TRS 10 D-C.

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in “Preparing for Retirement”, please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our website at www.rsa-al.gov.